



United States Department of Agriculture
Office of the Chief Financial Officer

**USDA 2002
PERFORMANCE MANAGEMENT
GUIDANCE**

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Additional copies of this guidance
can be downloaded at

<http://www.usda.gov/ocfo/perfmanh/pdf/usdag02.pdf>

If you have comments or questions, please submit via email to pm@cfo.usda.gov

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Section I - Performance Management Process

SECTION I - PERFORMANCE MANAGEMENT PROCESS

Performance Management Process The United States Department of Agriculture's (USDA) performance management process is designed to enable the Department to establish strategies, make decisions, allocate resources, and manage programs safely, effectively, and efficiently in ways that are consistent with USDA's Results Act plans and reports. The purpose of this Guidance is to explain the documentation of the performance management process.

This Guidance provides the framework for meeting the next cycle of requirements for the Government Performance and Results Act (Results Act) of 1993 and the Office of Management and Budget's (OMB) Circular A-11, which will be updated annually. It identifies the general roles and responsibilities of key participants, and clarifies the content elements for USDA's Strategic Plan, Annual Performance Plan (APP), and Annual Program Performance Report (APR).

In the execution of this Guidance, USDA will use a performance management approach containing three primary infrastructure elements:

- **Departmental Leadership,**
- **Department-wide Planning Team, and**
- **Agency Performance Management Coordinators**

To facilitate planning and reporting for the Department, Agency Performance Management Coordinators work closely with their respective Department-wide Planning Team (DWPT) representative(s) to

ensure input to and consistency with the Department-wide efforts.

Departmental Leadership

The Secretary, subcabinet officials, and agency heads provide the policy direction, review, and approval of all USDA plans and reports produced under the Results Act and Circular A-11.

The Secretary and the subcabinet establish USDA policies on programs and management issues. The subcabinet officials work with agency heads to further define these policies and to implement them through the agency.

To support these policies and their incorporation into USDA's Results Act documents, the subcabinet appoints a representative(s) to the DWPT. Subcabinet representatives appointed to this team have the authority to speak for and obtain assistance from their respective mission area/staff office in the development of USDA Results Act Plans and Reports.

The Departmental Leadership provides input to the DWPT to steer development of the Results Act plans and reports, and also reviews and clears initial and final versions prior to submission outside of USDA.

Department-wide Planning Team

Based on direction and input from the Departmental Leadership, the Office of the Chief Financial Officer (OCFO) coordinates performance management activities with the DWPT.

Section I - Performance Management Process

The Team, made up of representatives designated by the subcabinet, develops and refines the Department-wide plans and reports to meet the requirements of the Results Act and Circular A-11. Part VI of A-11 identifies these requirements for each USDA performance management document. At key points in the planning cycle, the Team typically meets on a weekly basis to discuss and develop the performance management documents for the Department. Team members have the authority to speak for and obtain assistance from their respective mission areas/staff offices in the development of USDA Results Act plans and reports. Generally, the Team works to reach consensus on all issues relevant to the content of USDA plans and reports. Team members work with Agency Performance Management Coordinators to ensure linkage and appropriate content of agency plans and reports. Also, they typically brief their Under/Assistant Secretary or Staff Office Head on the drafting progress and on any other relevant issues.

Team members assist their respective agency heads and their Under/Assistant Secretary or Staff Office Head in reviewing the content and clearance process of the performance management documents.

Agency Performance Management Coordinators (formerly GPRA Coordinators)

Coordinators are appointed by their agency/staff office head and are responsible for coordinating agency-level performance management efforts and ensuring that their agency properly supports Departmental efforts.

In support of the Departmental Performance Management efforts, agencies/staff offices

will have supporting strategic/annual plans and annual reports or their equivalent. Agencies are expected to have planning systems in place to support accomplishment of the performance goals and objectives in the USDA strategic/annual plans, and to promote efficient and effective internal operations. While such systems are likely focused on internal performance management, agencies may, at their discretion, design and use them to communicate with program partners, cooperators, and stakeholders, including the public.

Agencies preparing the aforementioned plans and reports for public use are to use their normal clearance process prior to sending them outside the Department. However, new plans and reports linked to the Department's Performance Management documents should not be distributed outside of USDA until after the Department distributes its corresponding document. For example, if an agency's FY 2004 Performance Plan is ready for issuance, it should not be issued until USDA issues its FY 2004 APP to the President and Congress.

The Agency Performance Management Coordinators should:

- 1) coordinate the development of agency plans and reports as defined by their subcabinet official or staff office head,
- 2) serve as the point-of-contact and provide performance information as requested to OCFO and/or their designated DWPT member,
- 3) brief the agency/staff office head as necessary, and
- 4) print and post approved performance management documents, for public use, to the agency's home page

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(agency documents cannot be shared outside USDA until after the Department issues its corresponding plan/report).

Performance Management Training

Beginning in FY 2003, USDA will require the Department-wide Planning Team and Agency Performance Management Coordinators to attend performance management training classes, seminars, or conferences to assist Departmental and agency personnel in identifying results oriented, supportable performance measures that can be linked to budget and financial reports. USDA places particular emphasis on those performance management areas most in need of development or advancement (e.g., performance measurement, budget and performance integration, verification and validation).

Selection of training courses, while at the individual's discretion, should address and support the current performance management issues and priorities of the Department.

OCFO has a Performance Management web page for the common use of the Department-wide Planning Team and Agency Performance Management Coordinators. It contains updated information on Departmental Performance Management issues, training/forums, plans and reports. This web page can be accessed by authorized members at:
http://165.221.94.7/QuickPlace/usda_pm_1/Main.nsf

Section II - Preparation of Strategic and Annual Plans, and the Performance Report
Part 1 - Strategic Plan Guidance

**SECTION II - PREPARATION OF STRATEGIC AND ANNUAL PLANS,
AND THE PERFORMANCE REPORT**
PART 1 - STRATEGIC PLAN GUIDANCE

Submissions	Due Dates			
	Initial Draft	Final Draft	OMB (45+ day advance)	President/Congress/ OMB
USDA Revised Strategic Plan	7/26/02	9/30/02	10/11/02	February 03

The Strategic Plan is used for the establishment of long-term strategic goals and objectives that will lead to achievement of USDA's mission. The Strategic Plan should be used to help align the current budget structure with the mission and strategic goals. This plan should guide the formulation and execution of the budget. The Strategic Plan must cover, at a minimum, a 6-year period.

The following are the minimum components to include in the Strategic Plan.

Strategic Plan Summary Elements

Introduction

A brief introduction includes an overview of the scope and dimension of USDA's program operations, and activities, including:

Perspective and outlook.

A perspective, or scan, of current economic, social, demographic, environmental, international, or other conditions that are relevant to the major functions and operations of USDA. The Plan should also

include a forward-looking description of prospective changes in the conditions over the time period covered by the Plan. USDA should cover a longer time period if data are available.

Participants

A brief statement identifying participants who contributed to the Strategic Plan, taking into consideration the views and suggestions of other entities, including customers and stakeholders who are potentially affected by or interested in program activities. These consultations provide an opportunity to better understand customers' needs and to reshape goals. However, only Federal employees shall perform the drafting of the Strategic Plan.

A comprehensive strategic consultation listing will be included as an Appendix to the USDA Plan (see Exhibit 1.3).

Web site Address

Provide a Web site address for obtaining a copy of the Plan.

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Part 1 - Strategic Plan Guidance

Mission Statement

The mission statement is the fundamental purpose for the existence of USDA. A mission statement is a succinct, descriptive statement that summarizes what USDA does, including what is required by law and presenting the main purpose of all major functions and operations.

Vision Statement

A statement expressing the "ideal" state USDA strives to achieve. A Vision Statement should be public-serving rather than self-serving, and may have multiple facets.

Values

Provide the principles and values important to the President and USDA in delivering its services and fulfilling its mission. These philosophies are the guide for the behavior of USDA managers and employees.

Strategic Goals

Strategic goals define how the Department will carry out its mission over a period of time. The goal is expressed in a manner, which allows a future assessment to be made of whether the goal was or is being achieved. USDA's strategic goals shall establish priorities and clearly express its direction and intent for the next 5 or more years. Beginning with FY 2005 Budget, the strategic goals will be used to help present the linkage between resources and performance in the budget. Care should be taken to develop strategic goals that facilitate the performance resources alignment that will appear in future budget documents.

Describe significant risks that threaten achievement of the strategic goal. These

risks are associated with internal operations and functions, and are separate and distinct from external factors. Describe actions that the Department has taken or proposes to take to reduce the risk.

Objectives

Selective outcome statements defining expected future results. These include a discussion of how the objectives will support accomplishment of the strategic goal.

Link to Performance Plan

A description of how the performance goals included in the Annual Plan will be related to the Strategic Plan, including:

type, nature, and scope of the performance goals being included in the Annual Performance Plan; and discussion of why the performance goals were selected and how they will help in the achievement of objectives.

Baseline Explanation:

Provide the actual data serving as a base for measuring future performance.

Strategic Target Explanation:

Provide the long-term target or destination that is the basis for development of measures and targets in Annual Plans.

Actionable Strategies

A description of how the objectives are to be achieved, including the operational processes, skills and technology, human, capital, information, and other resources required for achievement. This section

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should outline the process for communicating and sustaining these activities throughout USDA, and for assigning accountability to managers and staff for achievement.

Include strategies related to customer service standards, activities introducing a more precise accumulation and allocation of cost, performance-based contracting, regulatory reform, agency restructuring and re-engineering, and personnel appraisals tied to program or organizational performance, as appropriate.

Key External Factors

Key External Factors are those elements that may significantly affect the achievement of the objective that USDA has no control of. Reliance on other governments or parties should be addressed. If Key External Factors cannot be identified, a statement of such should be included.

Program Evaluation and Other Analyses

Program evaluations should cover assessments, through objective measurement and systematic analysis, of the manner and extent to which USDA's programs achieve intended outcomes. A program evaluation encompasses assessments of program implementation processes and operating policies and practices when the primary concern is about implementation rather than program outcomes.

The program evaluations that were used in preparing the Strategic Plan should be briefly described. The effect of program evaluations on the definition of strategic goals and objectives in the plan should be highlighted (see Exhibit 1.1).

Cross-cutting Programs

USDA has a shared responsibility for defining and achieving strategic goals and objectives in cross-cutting areas with other agencies/departments. These cases require a description of the interface between related programs and an outline detailing how the Department's efforts synergistically support common endeavors.

If USDA has been formally assigned lead responsibility for a cross-cutting program, it should include any agreed-upon goals for the program. Other Federal departments/agencies, private sector entities, or partnerships having primary responsibility for particular goals should be identified (see Exhibit 1.2).

If USDA is participating in a cross-cutting program, but has not been assigned the lead role, describe the interface between the related programs and outline how USDA efforts synergistically support common endeavors.

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Part 1 - Strategic Plan Guidance
Exhibit 1.1 - Program Evaluations and Other Analyses

EXHIBIT 1.1 - PROGRAM EVALUATIONS AND OTHER ANALYSES

Program evaluations that were used in preparing the Strategic Plan and future program evaluations should be listed so that the intended outcome of the USDA programs are addressed.

Future program evaluations may depend on the nature of the program and how the strategic goals are defined.

Program evaluations are relevant to the planning process and can include:

1) assessments of the manner and extent of program objectives; 2) assessment of program policies, practices, and processes; 3) program or management analyses; 4) comprehensive reviews; 5) cost-benefit studies; 6) research to provide baseline data; and 7) demonstration research.

Provide a statement if program evaluations are not scheduled during the time period covered by the Strategic Plan.

Program Evaluations Used to Develop the Strategic Plan				
Goal/ Initiative	Evaluations/ Analyses	Brief Description	What Was The Effect	Date

Future Program Evaluations and Other Analyses				
Goal/ Initiative	Evaluations/ Analyses	General Scope	Methodology	Timetable

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Exhibit 1.2 - Cross-cutting Programs

EXHIBIT 1.2 - CROSS-CUTTING PROGRAMS

The Department works closely with a wide array of State, local, and private partners who share USDA's strategic goals and objectives. This table, while not all-inclusive, represents the primary partnerships—both within USDA and

externally—that enable USDA to reach its strategic goals. Note that for the purposes of this table, it is assumed that all USDA Departmental Offices support virtually every Department strategic goal and objective.

Cross-cutting Programs		
Goal	USDA Primary Agencies	External Organizations

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Exhibit 1.3 - Strategic Consultations

EXHIBIT 1.3 - STRATEGIC CONSULTATIONS

USDA regularly consults with external groups—from customers to policy experts to industry and consumer groups—about the effectiveness of its programs and the need for improvement. While many of these consultations are not conducted expressly

for the purpose of this Strategic Plan, they have a deep influence on our strategic goals, objectives, strategies, and targets. The following table should detail these consultations.

Strategic Consultations			
Goal	Date	Who	Purpose

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Part 2 - Annual Performance Plan Guidance

PART 2 - ANNUAL PERFORMANCE PLAN GUIDANCE

Submissions	Due Dates			
	Initial Draft ¹	OMB	Final Draft ²	President/Congress
USDA FY 2004 Annual Performance Plan and Revised Plan for FY 2003	8/30/02	9/9/02	February 03	February 03

1 - Consistent with the initial budget submission to Office of Management and Budget (OMB)

2 - Consistent with the President's Budget to Congress

The Annual Performance Plan provides the direct link between the USDA's longer-term strategic goals (as defined in the Strategic Plan) and what its managers and staff are doing on a day-to-day basis.

All Federal departments prepare an Annual Performance Plan covering each program by the activity line set forth for that agency in the President's Budget. The Annual Performance Plan must be directly linked to the USDA budget. To align resources and performance, USDA must develop full cost information for selected outputs and outcomes in the FY 2004 budget.

The following are the minimum components to be included in the Budget Year (BY) Annual Performance Plan and Revised Plan for Current Year (CY).

Annual Performance Plan Summary Elements

Introduction

A brief introduction includes an overview of the scope and dimension of USDA's program operations, and activities.

Adjustments to Current Strategic Plan

The Annual Performance Plan may be used to identify and describe interim adjustments being made to the Strategic Plan. These interim adjustments offer an opportunity for USDA to modify the updated and revised Strategic Plan to reflect the program and policy changes of the new Administration or new legislation.

Incorporating Improvements Arising from Reviews

Incorporation of the appropriate suggestions and comments generated from external reviews. OMB, GAO, Congress, and other parties reviewed the previous sets of annual plans and reports extensively, which have produced numerous suggested improvements to the plans. The USDA is expected to reflect and incorporate appropriate suggestions and comments to improve the Plan.

Participants

A brief statement identifying participants who contributed to the Annual Performance Plan, taking into consideration the views and suggestions of other entities such as customers and stakeholders who are potentially

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Part 2 - Annual Performance Plan Guidance

affected by or interested in program activities. These consultations provide an opportunity to better understand customers' needs and to reshape goals. However, only Federal employees shall perform the drafting of the Annual Performance Plan.

Web site Address

Provide the Web site address for obtaining a copy of the Plan.

Mission Statement

The mission statement obtained from the current Strategic Plan.

Strategic Goal

The strategic goal from the Strategic Plan with a brief discussion of the relevant issues to be addressed during the fiscal year(s) covered in the Annual Plan.

Level of Resources Dedicated to Each Goal

A summary table that provides the funding and Full-time Equivalents (FTE) by goal showing actual funding for four years and estimated funding for CY and BY.

Objective

Provide a statement from the Strategic Plan with a brief discussion explaining the significance of the objective for the fiscal year. Each objective should have performance goal(s).

A table of program-level dollars and FTEs allocated by objective for years covered by the Plan.

Annual Performance Goals

A summary table with performance goals and indicators (displayed and aligned under the associated strategic goals and objectives from the current USDA Strategic Plan) showing actual performance information for four years and estimated performance for CY and BY that are quantifiable and measurable (see Appendix A).

To lessen the effect of having little Past Year (PY) performance data available when the initial FY 2004 Performance Plan is submitted to OMB, USDA should include part-year performance values for selected performance goals. Typically, these will be output goals for which data is being collected on a quarterly or more frequent basis. When including this information, the agency should note the date collected; e.g., performance as of March 30, 2002.

Discussion of Performance Goals

- Discuss how the performance goals/indicators will help achievement of the objective.
- Indicate those performance goals and indicators that support programs or activities of an interagency/intra-agency (see Cross-cutting Issues).
- Identify performance goals or indicators that are new to the Plan.

Means and Strategies

A description of the operational processes; skills and technology; and human, capital, information, or other resources needed to meet the performance goals. Also, include the program, policy, regulatory, and legislative initiatives and approaches.

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Key External Factors

Include information on external factors that bears directly on goal achievement for the fiscal year covered by the Plan. This information should be consistent with the identification of external factors in the Strategic Plan.

Performance Content of the Final Plan

Performance goal targets for the final Performance Plan should reflect the President's budget. The target levels should be consistent with program, policy, and resource decisions made by the President.

The final BY Performance Plan may include additional performance data related to FY that is not included in the FY Performance and Accountability Report. This information can consist of material withheld from the report because it was privileged, or data that was not available at the time the report was being prepared.

Resources Dedicated to Program Objectives

Program Level Expenditures

Agencies and staff offices must allocate program level dollars for each account to relevant objective(s). This allocation provides a general indication of the funding dedicated to each objective and strategic goal. The Office of Budget and Program Analysis (OBPA) will provide the Program Level expenditures, by account, for allocation by the DWPT (see Exhibit 2.1).

Staff Years

Agencies and staff offices must allocate staff years to an objective. These allocations provide a general indication of the resources dedicated to each

objective and strategic goal. OBPA will provide staff years, by agency, for allocation by the DWPT. (see Exhibit 2.2).

Verification and Validation

A description of the means that will be used to verify and validate measured performance values. If material inadequacies are identified in the prior year's Annual Report, description of any remedial steps being taken in the completeness and reliability of performance data should be included. USDA may also consider whether remedies are needed when the data source is outside the Department.

USDA should have the capacity to identify internal and external data sources, describe efforts to verify and validate performance data, identify actions to compensate for unavailable or low-quality data, and discuss implications of data limitations for assessing performance (see Exhibit 2.3).

Program Evaluations and Other Analyses

This information typically includes the schedules and summarized types of program evaluations to be done during the year (see Exhibit 2.4). Also, reference other analyses or studies that will be undertaken during the fiscal year that directly relate to performance goals and indicators in the Annual Performance Plan. These studies and analyses can include policy, program, or management analyses, compliance reviews, cost-benefit studies, research to provide baseline data, or demonstration research. This information provides the analyses and studies that USDA intends to cover in its Annual Report.

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Part 2 - Annual Performance Plan Guidance

Major Management Challenges and Program Risk

Identify GAO's and OIG's major management challenges and high risk areas, and discuss the planned actions to be taken during the period covered by the Annual Plan to correct these challenges. USDA should establish performance goals covering priority actions on key problems (see Exhibit 2.5).

Cross-cutting Programs

Indicate significant programs/activities that are being undertaken with other Federal department/agency or private sector entities to achieve a common goal, purpose, or objective of a cross-cutting nature.

Those performance goals and indicators that support programs or activities of an interagency/intra-agency should reference the Strategic Plan and explain how these activities will be coordinated to ensure that goals are accomplished (see Exhibit 2.6).

Integrating Budget and Performance

At a minimum, the annual plan should display the amount budgeted either for a GPRA program activity, or a set of related GPRA activities. Beginning in FY 2004, the President's Budget will have informational tables aligning resources with performance goals (outputs and outcomes). OMB intends to include such tables for all Federal agencies in the FY 2005 budget. Agencies presently unable to display and align such information should accelerate efforts to develop this capability. The FY 2004 Performance Plan should describe the action steps USDA will be taking in 2003 in this regard. A timetable for the specific steps should be included. The descriptions and schedules are included in the initial FY 2004 plan sent to OMB. Following OMB review, USDA may include the steps and timetables, as modified following the review, in its final FY 2004 Performance Plan (see Appendix B and C).

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Part 2 - Annual Performance Plan Guidance
Exhibit 2.1 – Program Level Expenditures

EXHIBIT 2.1 – PROGRAM LEVEL EXPENDITURES

This table depicts agencies and staff offices with program level dollars for each account allocated to an objective for FY 04 (a revised FY 03 will also be completed). These allocations provide a general indication of the funding dedicated to each objective and strategic goal. All USDA agencies contribute to Management

Initiatives and the funding provided to the Department's administrative offices in direct support of Management Initiatives is to be allocated equally in the funding allocations for the program goals. DWPT and OCFO will coordinate with OBPA the submission of allocations.

USDA Program Level Allocations																
Agency	Account	Treasury Fund Symbol	FY 2004 Program Level (\$ in Millions)	USDA Objectives (\$ in Millions)												
				1.1	1.2	1.3	1.4	2.1	2.2	3.1	3.2	4.1	4.2	4.3	5.1	5.2

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Exhibit 2.2 – Staff Years by Objective

EXHIBIT 2.2 – STAFF YEARS BY OBJECTIVE

This table depicts agencies and staff offices with staff years allocated to an objective for FY 04 (a revised FY 03 will also be completed). These allocations provide a general indication of the resources dedicated to each objective and strategic goal. All USDA

agencies contribute to Management Initiatives and the staffing provided to the Department's administrative offices in direct support of Management Initiatives is to be allocated equally in the program goals. DWPT and OCFO will coordinate with OBPA the submission of allocations.

Agency	FY 2004 Staff Years	USDA Staff Years by Objective												
		1.1	1.2	1.3	1.4	2.1	2.2	3.1	3.2	4.1	4.2	4.3	5.1	5.2

Section II- Preparation of Strategic and Annual Plans, and the Performance report
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Exhibit 2.3 – Major Management Challenges and Program Risks

EXHIBIT 2.3 – MAJOR MANAGEMENT CHALLENGES AND PROGRAM RISKS

The following table will be used to identify the quality of performance data used to measure program performance reported in the Annual Performance Plan. The performance goals/indicators from the Annual Performance Plan will be contained in the first column. The Data Source column identifies from where this data is collected (i.e., the source). The Verification/Validation Method column provides information on the method used for assessment of data completeness, accuracy, consistency, timeliness, and related quality control practices; and whether data are appropriate for the performance measures used in the Annual Performance Plan. The Data Limitations and Remedial Steps column describes limitations of data to

evaluate performance, and indicates unavailable or low-quality data.

If material inadequacies were identified in the prior year's Annual Report, a description of any remedial steps being taken in the completeness and reliability of performance data should be included in this table. These can include: enhancing existing data collection and reporting systems or processes to modify, improve, or expand their capability; adding new data sources; or replacing current sources; and discontinuing a performance goal(s) if current data collection and reporting inadequacies are substantial, persistent, and difficult to remedy.

Data Verification and Validation			
Performance Goals/Indicators	Data Source	Verification/Validation Method	Data Limitations and Remedial Steps

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Part 2 - Annual Performance Plan Guidance
Exhibit 2.4 – Program Evaluations and Other Analyses

EXHIBIT 2.4 – PROGRAM EVALUATIONS AND OTHER ANALYSES

Program evaluations are relevant to the planning process and can include: 1) assessments of the manner and extent of program objectives; 2) assessment of program policies, practices, and processes; 3) program or management analyses; 4) comprehensive reviews; 5) cost-benefit studies; 6) research to provide baseline data;

and 7) demonstration research. Program evaluations contained in the Strategic Plan should be reflected, as appropriate, in the table below. Also, new evaluations which are relevant to the fiscal year covered by the Plan and are directly related to performance goals and indicators should be addressed.

Program Evaluations and Other Analyses				
Performance Goals	Evaluations/Analyses	Proposed Achievement	Start Date	End Date

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Part 2 - Annual Performance Plan Guidance
Exhibit 2.5 – Major Management Challenges and Program Risks

EXHIBIT 2.5 – MAJOR MANAGEMENT CHALLENGES AND PROGRAM RISKS

To ensure strong performance throughout USDA, the Department must address its most significant management challenges and program risks. These areas of vulnerability are identified by the GAO and the OIG. The following table will be used to create an appendix

to USDA’s Annual Performance Plan, whereby the Department will share its annual strategies for addressing concerns as well as the annual performance targets that it will set to ensure accountability toward real progress in these vital areas.

Major Management Challenges and Program Risks	
Major Management Challenges and Program Risks	Planned Actions/Performance Measures for the Fiscal Years Covered by the Annual Performance Plan

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Part 2 - Annual Performance Plan Guidance
Exhibit 2.6 - Cross-cutting Programs

EXHIBIT 2.6 - CROSS-CUTTING PROGRAMS

With priorities that span from Homeland Security, food safety, forestry, to fighting hunger, the work of USDA often cuts across jurisdictional lines—both within USDA and among Federal agencies. The annual plan should identify those programs or activities that are being undertaken with other

agencies to achieve a common purpose or objective; i.e., interagency and cross-cutting programs. This identification needs to cover the objective's activities that represent a significant Department effort. The following table expands the cross-cutting goals listed in the Strategic Plan.

Cross-cutting Programs			
Objective	USDA Agency	Assigned Lead Agency/Organization	Describe How the Activities Affect the Department's Efforts

Section II - Preparation of Strategic and Annual Plans, and the Performance Report

Part 3 - Annual Program Performance Report Guidance

PART 3 - ANNUAL PROGRAM PERFORMANCE REPORT GUIDANCE

Submissions	Due Dates			
	Initial Draft	Final Draft	RMO/OMB (10+ day advance)	President/Congress
USDA FY 2002 Annual Program Performance Report	10/10/02	10/25/02	12/17/02	January 31, 2003

Consistent with requirements set out in the Reports Consolidation Act of 2000, requirements in this section will be contained in the USDA Performance and Accountability Report for FY 2002.

The Annual Program Performance Report is an evaluation of actual accomplishments compared to performance goals set forth in the Performance Plan for the previous year.

All Federal departments are to submit an Annual Program Performance Report to the President and to Congress.

The following are the minimum components to be included in USDA's FY Annual Program Performance Report.

Annual Program Performance Report. Only Federal employees shall perform the drafting of the Program Performance Reports. However, non-Federal parties, such as consultants, grantees, contractors, States, and local governments, may aid USDA in the production of the report through the collection and reporting of performance data. The Report should include an acknowledgment of their role and a brief description of any significant contribution made by a non-Federal entity in preparing the report.

Web site Address

Provide a web site address for obtaining a copy of the Report.

Performance Report Summary Elements

Introduction

A brief introduction including the mission statement, and an overview of the scope and dimension of USDA's program operations and activities.

Participants

A brief statement identifying participants that contributes to the

Performance Goals and Results

A summary table with the performance goal and indicators with the FY target, actual performance, and the indication if the goal was exceeded, met, unmet, preliminary, or deferred.

Strategic Goal and Objectives

List the strategic goals and objectives from USDA's FY 2002 Performance Plan. This section with the following elements is needed for each objective.

Performance Measure

Provide a brief analysis on how USDA is doing in accomplishing this Objective.

Section II - Preparation of Strategic and Annual Plans, and the Performance Report

Part 3 - Annual Program Performance Report Guidance

Performance Goals and Indicators

A table with the performance goal and indicators with the FY target, actual performance, and indication if the goal was exceeded, met, unmet, preliminary, or deferred.

Performance Goal Trends

A table or chart of performance indicators containing actual performance information for the FY and prior three fiscal years should be provided. A table should be used if there are two or more indicators.

The final BY Annual Performance Plan may include FY program performance data that was not included in the Performance and Accountability Report. Such data typically would either have become available after the report was prepared, or could not be included in the report as it is considered to be privileged material that may not be publicly released before transmittal of the President's budget. (The President's budget is transmitted after the February 1 date for submitting the combined performance and accountability report.) Program performance data appearing in the annual plan but not in the report is subsequently included in the CY Program Performance Report.

The annual plan may also include other parts of the performance report, such as an explanation for why a goal was not met, or outcome of program evaluations, and information bearing on the

achievement of current and future performance goals.

Analysis of Results

A comparison of actual performance with the projected levels of performance as set out in the performance goals in the Annual Performance Plan. This analysis should explain why a target was significantly exceeded, met, unmet, data is preliminary or deferred.

- Deferring an Explanation

USDA may defer providing an explanation where the performance data are preliminary and, based on the experience of previous years, subject to significant correction. The deferral should be noted in the Annual Report. An explanation will be provided in a future year Performance Report that will include the performance goal for which only preliminary data was initially available.

Description of Actions and Schedules for an Unmet Goal

An explanation of why the goal was not met, the consequences of not meeting it, and the actions being taken to eliminate or reduce future shortfalls for this goal.

Current Year Performance

An evaluation of the Performance Plan for the current fiscal year (i.e., FY 2003), taking into account the actual performance achieved in the fiscal year covered by the Report. (Due to the delay of FY 2003 Budget, this is not included in the Performance and Accountability Report.)

Section II - Preparation of Strategic and Annual Plans, and the Performance Report

Part 3 - Annual Program Performance Report Guidance

Program Evaluation

A summary of the findings and recommendations from the evaluations listed in the Annual Plan and completed during the fiscal year. If no evaluations were completed, the report should note this. The Annual Report should note the availability of a complete copy of a program evaluation and how an interested party might obtain it.

Previously Deferred/Preliminary Performance Information

The performance goals for a prior fiscal year where the comparison between actual performance and target levels was deferred because of missing or limited performance data, or because the analysis could not be completed in time. For these performance goals, the presentation in the future year Annual Report must meet all applicable requirements, including an explanation for why a goal was not met.

This information will be reported in a separate attachment, subdivided (as necessary) by fiscal year. For example, USDA's FY 2002 Performance Report will be subdivided into separate attachments for FY 2000 and 2001 for deferred coverage of performance goals in the Annual Reports for these 2 years.

Data Assessment (Reporting Year)

Description of aspects of data collection (data sources) and reporting, any material inadequacies in the completeness and reliability of the performance data along with a brief reason for why the data are inadequate,

and the actions the USDA is taking to remedy such inadequacies.

- *Completeness of Data*

Data from the Annual Report is complete only if actual performance is reported for every performance goal and indicator in the Annual Plan including preliminary data if it is the only data available when the report is transmitted.

The Performance Report should identify any performance goals and indicators for which actual performance data are not available at the time the Annual Report is transmitted, and should note that the performance data will be included in a subsequent Annual Report.

Performance data is incomplete when the data are not available for inclusion in the transmitted report and there is either a certainty or likelihood that the data will not be available in the future. The performance goals and indicators for which the performance data are missing both currently and in the future should be identified.

- *Reliability of Data*

Data is acceptably reliable when there is neither refusal nor a marked reluctance by agency managers or government decision makers to use the data. Data that is not acceptably reliable is characterized as being materially inadequate.

- *Quality of Data*

Description of particular issues related to the collection and reporting of actual performance information, with description of the resources used to

Section II - Preparation of Strategic and Annual Plans, and the Performance Report

Part 3 - Annual Program Performance Report Guidance

collect and analyze the actual performance data prior to transmittal of the Report.

Assessments of program effectiveness and implementation of initiatives for the President's Management Agenda.

A major ongoing initiative is to assess the effectiveness of Federal programs throughout the Executive branch. USDA may use data contained in the Program Performance Report.

The assessments may generate proposals for improving program performance, or taking other actions affecting the program.

USDA may summarize in the Program Performance Report the significant actions being taken in the current year or budget year in response to evaluations of status and progress in successfully meeting standards for success in each of the five initiatives.

Major Management Challenges and Program Risk

Steps or progress made in addressing major management challenges and high risk areas that were listed in the Annual Performance Plan (see Exhibit 3.1).

Resources Dedicated to Program Objectives

Program Level Obligations Incurred

Agencies and staff offices must allocate program obligations for each account to relevant objective(s). This allocation provides a general indication of the funding obligated to each objective and strategic goal. OCFO will provide program obligations, by account, for allocation by the DWPT (see Exhibit 3.2).

Staff Years

Agencies and staff offices must allocate staff years to an objective. These allocations provide a general indication of the resources obligated to each objective and strategic goal. OCFO will provide staff years, by agency, for allocation by the DWPT (see Exhibit 3.3).

Budget Information

Relevant budget information consistent with the obligation amounts shown in the Budget Appendix for the fiscal year covered by the report. As resource amounts are generally covered in the means and strategies part of the Annual Plan, the Annual Report will not present comparisons between the amounts originally requested for a fiscal year and the amounts actually obligated.

Section II - Preparation of Strategic and Annual Plans, and the Performance Report
Part 3 - Annual Program Performance Report Guidance
Exhibit 3.1 - Major Management Challenges and Program Risks

EXHIBIT 3.1 - MAJOR MANAGEMENT CHALLENGES AND PROGRAM RISKS

To ensure strong performance throughout USDA, the Department must address its accomplishments to the most significant management challenges and program risks that were addressed in the Annual Performance Report. These areas of vulnerability are identified by

the GAO and OIG. In the following table, the Department will share its accomplishments of the strategies for addressing concerns, as well as its accomplishment of annual performance targets that help enforce the accountability toward real progress in these vital areas.

Major Management Challenges and Program Risks

Major Management Challenges and Program Risks	Specific Steps or Progress Made During the Fiscal Year Covered by the Report

Section II - Preparation of Strategic and Annual Plans, and the Performance Report
Part 3 - Annual Program Performance Report Guidance
Exhibit 3.2 - Program Obligations Incurred

EXHIBIT 3.2 - PROGRAM OBLIGATIONS INCURRED

This table will depict agencies and staff offices with program obligations for each account allocated to an objective. These allocations provide a general indication of the funding obligated to each objective and strategic goal. All USDA agencies contribute to Management Initiatives and the

funding provided to the Department's administrative offices in direct support of Management Initiatives is to be allocated equally in the funding allocations for the program goals. OCFO will provide program obligations, by account, for allocation by the DWPT.

USDA Program Obligations										
Agency	Account	Treasury Fund Symbol	FY 2002 Program Obligations (\$ in Millions)	USDA Goal 1 Key Outcomes (\$ in Millions)						
				1.1	1.2	1.3	1.4	1.5	1.6	1.7

Section II - Preparation of Strategic and Annual Plans, and the Performance Report
Part 3 - Annual Program Performance Report Guidance
Exhibit 3.3 - Staff Years

EXHIBIT 3.3 - STAFF YEARS

This table will depict agencies and staff offices with staff years allocated to key outcome(s). These allocations provide a general indication of the resources obligated to each key outcome. All USDA agencies contribute to Management Initiatives and the

staffing provided to the Department's administrative offices in direct support of Management Initiatives is to be allocated equally in the program goals. OCFO will provide staff years, by agency, for allocation by the DWPT.

Agency	FY 2002 Staff Years	USDA Staff Years by Goal 1 Key Outcomes						
		1.1	1.2	1.3	1.4	1.5	1.6	1.7

APPENDICES

APPENDIX A - DEVELOPING PERFORMANCE GOALS AND INDICATORS

The Annual Performance Plan must include performance goals that will be covered in the Annual Performance Report. Performance goals shall be defined either in an objective and quantifiable manner, or as sufficiently precise descriptive statements that allow for an accurate, independent determination of actual performance.

The goals and indicators should:

- be centered on a program's core purpose, and include those measures serving as a basis for OMB's assessment of program effectiveness;
- be expressed in an objective and quantifiable manner unless OMB approves otherwise;
- be a blend of outcomes, and outputs supporting outcomes. (Steps being taken to integrate budget and performance will lead to displaying cost information for outputs in the budget, with the outputs being related to outcomes);
- inform the President, Congress, other interested parties, and the public of the expected level of achievement for the program or activity;
- be mainly those used by managers to direct and oversee how a program is carried out;
- represent key program characteristics and attributes, while also supporting any cross-agency, comparative review of common measures; and

- cover the 12-month period of the Federal government's fiscal year (October 1-September 30).

Types of program performance goals

In a Strategic Plan, strategic goals and objectives are commonly outcome-type goals. However, outcome goals may only be achieved at certain points during the time span of a Strategic Plan. An annual plan should include outcome goals when an achievement is scheduled for the fiscal year covered by the Plan.

When outcome goals are defined as achieving a broad standard, rate, or level (such as a national incidence rate), the Plan should indicate the Department's role in goal achievement. This can be done either in the goal description, or by identifying the means the Department will use to accomplish the goal. It is necessary to show an association between intended results and the steps being taken to achieve them to justify funding.

If an Annual Plan includes a performance goal that is not self-measuring, the Department must include in its Annual Plan one or more performance indicators for that Goal. The performance indicators shall set out specific, measurable values or characteristics related to the performance, which will aid in determining goal achievement.

OMB is developing common performance measures to be used in program assessments to help determine the relative efficiency and effectiveness of selected programs. Programs covered by these common measures will include

Developing Performance Goals and Indicators (Extracted from Circular A-11, Part VI)

all applicable measures as performance goals in the Annual Plan.

The annual plan should include goals or indicators for unit cost, even if only approximate costs can be estimated at this time. OMB will require to include at least one performance goal measuring cost per unit of output, cost per unit of service, or cost per unit of result in the Annual Plan.

A goal for unit cost may be required to be included in the FY 2004 Annual Plan for programs included in the initiative to develop common measures.

Goals for assessing programs effectiveness

OMB will be using a Program Assessment Rating Tool (PART) to assess program effectiveness. The PART consists of a set of questions designed to provide a consistent approach to effectiveness ratings:

- does the program perform a clear Federal role?
- has an agency set valid long-term and annual goals for the program?
- is the program well-managed? and
- is the program achieving the results set forth in the agency's GPRA plans?

Programs covered by program effectiveness assessments during formulation of the FY 2004 budget should coordinate with OMB to ensure that all performance goals being used in the effectiveness ratings will be included in their FY 2004 Annual Plan.

Goals related to credit programs

Performance goals specific to the credit programs should include a brief description of how changes in the subsidy cost for those programs may affect the target values for these goals.

Goals for internal Department functions and operations

The Annual Plan may include goals/indicators involving workforce diversity, downsizing, streamlining, and family-friendly programs. Administrative or program support components – such as procurement and information management – may also be included as goals. Where procurement is significant to the accomplishment of the mission, the Annual Plan should include measures of procurement performance.

Grant programs

Major grant programs should have performance goals for streamlining and simplifying the administration of these programs. These goals should address the Department's efforts to reduce administrative and regulatory burdens, and should provide electronic processing options for grantees.

Human resources

The Annual Plan should include a performance goal (or goals) covering the major human resources strategies – such as recruitment, retention, skill development and training, and appraisals linked to program performance – that help to support the Department's programs. Any training goal(s) included in the Plan should address the quality and availability of training opportunities. (For further information, see the Office of Personnel Management

Developing Performance Goals and Indicators (Extracted from Circular A-11, Part VI)

publication, “A Guide to Strategically Planning Training and Measuring Results.”)

Government-wide Management Reforms

The President’s Budget asks departments to identify several agency-specific management reforms and to undertake those reforms in the near term. The FY 2004 Annual Plan should include performance goals for specific reforms that will be completed in FY 2004. The FY 2004 plan should also include a brief summary of specific reforms completed in FY 2002 or 2003.

Information Security Program

A description of the time periods and resources—including budget, staffing, and training--needed to carry out the Department’s information security program. USDA should consult with the Office of the Chief Information Officer when developing the description.

Goals for management problems and for government-wide management reforms

Performance goals for management problems expressed as milestone events for specific remedial steps.

The President’s FY 2003 Budget and the President’s Management Agenda identify a set of government-wide reforms that agencies are expected to carry out over the next several years. These reforms include:

- strategically managing agency human resources, including reducing the number of layers in the upper echelon of government and re-distributing positions to more front-line, citizen-contact activities and operations;
- reducing erroneous payments to beneficiaries and other recipients of government funds;
- making greater use of performance-based contracts;
- expanding the application of on-line procurement and other E-Government services and information; and
- expanding competition by opening to the private sector one-half of the commercial positions listed in the agency inventories of activities performed by Federal employees that are not inherently governmental in nature (as specified by the Federal Activities Inventory Reform Act), and developing more accurate inventories.

The FY 2004 Performance Plan should include a performance goal (or goals) for every reform that will significantly enhance the administration and operation of USDA programs and activities. If USDA has not completed goal definition in the final FY 2003 Performance Plan, these goals should be included in the revised final.

The Plan should include a summary of the planned or proposed organizational changes to be made in restructuring the workforce and streamlining the organization (Refer to OMB Bulletin 01-07 for guidelines in this effort).

Performance goals that reflect prior year funding

In some instances, performance level will reflect the spending of prior year monies during the fiscal year covered by the Plan. The Plan should

Developing Performance Goals and Indicators (Extracted from Circular A-11, Part VI)

specifically denote which goals or indicators are funded by a significant amount of prior year monies. A performance level need not be stratified to show how much performance is funded by any particular year.

Goals for performance occurring in a future fiscal year

When program performance in a fiscal year is funded by prior year monies, this circumstance often parallels a fiscal year budget which contains requests for funds that will not be spent until a future fiscal year(s). This is common practice in some grant programs and major procurements.

Goals and indicators covering future-year performance should be included in the annual Plan. The Plan should include a description of the projected level of performance to be achieved (a brief summary is sufficient). The Plan should also identify the fiscal year(s) in which performance will occur.

The Plan should also describe the projected effect on performance goals and indicators for future years caused by agency rule-making or a tax expenditure initiative being undertaken in the fiscal year covered by the Plan.

Proposed legislation

If achievement of a performance goal is contingent on enactment of legislation during the fiscal year covered by the annual plan, a brief description of this legislation – as proposed in the agency's legislative program – should be included. (Section 6 of OMB Circular No. A-19 provides additional information on an agency legislative program.)

Capital assets/capital programming

Part 7 of OMB A-11 requires departments to prepare a capital asset plan with justification for certain major acquisitions. These acquisitions include those of importance to an agency's mission or having a significant role in the administration of agency programs. The annual plan should reference the capital asset plan, and should include a brief description of any major acquisition contained in the capital asset plan that will bear significantly on the achievement of a performance goal.

The capital asset plan should also satisfy requirements in the Information Technology Management Reform Act of 1996 (ITMRA) for performance and results-based management. This may include goals for improving agency operations through the use of information technology; benchmarking of agency processes; descriptions of how information technology will be used to help achieve program goals; and assessments of the staffing, skill, and training needs of agency employees in the information resources management area.

Budget Performance Integration

APPENDIX B - BUDGET PERFORMANCE INTEGRATION
OMB's Basic Requirements for Alignment and Coverage

The linkage between the annual plan and the budget is based on the program activities in the Program and Financing (P&F) schedules in the President's Budget. The annual plan should directly link to the budget. The performance goals, particularly the performance target levels, are set based on the funding expected to be available to achieve the goals. Funding levels reflected in the initial annual plan must be consistent with the budget request to OMB. In a final plan, these funding totals are modified, as necessary, to conform to the President's Budget. The changes in funding levels may dictate corresponding changes to performance goals and indicators in the final plan.

Link between program activities in the Budget and in the annual plan

USDA has discretion on how program activities are arrayed in the annual plan, provided that:

- Each program activity in its P&F schedule(s) in the Budget for that fiscal year is covered; and
- Every USDA's major program, function, or operation is reflected in the plan.

USDA may:

- Aggregate program activities within a single P&F schedule by applying the same performance goals and indicators to several or all of the program activities;
- Consolidate program activities by applying a single set of performance goals and indicators to program activities in two or more P&F schedules; or
- Disaggregate individual program activities in a P&F schedule into component parts and apply performance goals and indicators to these parts.

It is through aggregation or consolidation that an annual plan can cover every program activity in the P&F schedules, while allowing it to omit goals for its non-major program activities.

The FY 2004 Performance Plan should be integral with the budget request. In moving toward such integration, the annual plan should display, generally by GPRA program activity, the amount of funding being applied to achieve the performance goals and indicators for that activity. For those agencies substituting outputs and outcomes for the current program activity listings in the P&F schedules, the amount of funding will be shown for the individual outputs and outcomes.

Usually, the funding displayed will be stated in terms of obligations. (See OMB A-11 generally section 82.3 in Part 2 for further information on reporting obligations in P&F schedules.) If USDA wishes to use other budget measures (e.g., budget authority or outlays), it should consult in advance with its OMB representative. For the initial plan, OMB may also request additional information separately, such as a crosswalk between performance goals and the specific budget account(s) funding those goals.

Budget Performance Integration

Agencies with programs covered by the assessments of program effectiveness being done during 2002 should be prepared to provide, if requested by OMB, estimates of the marginal effect on performance levels resulting from marginal changes in budget levels for these programs.

Future alignment and coverage

Beginning with the FY 2004 budget, OMB seeks to forge a much greater alignment between resources and performance. This effort should be markedly more extensive in the FY 2005 budget. Two major initiatives comprise the framework for this alignment: a restructuring by some agencies of program activity listings in the P&F schedules and, as useful, the budget accounts themselves, and the development of informational tables matching resources with outputs and outcomes in the President's Budget for all USDA programs.

If USDA requires additional time or flexibility for completing performance integration, it should coordinate with OMB regarding possible adjustments to either schedule or scale of the effort. Adjustments may be made, provided these reflect a continuing commitment to fully carry out this initiative as quickly and practicably as possible.

Changes in the budget account structure

Current differences between the program activities structure in the Budget and the GPRA program activity array in the Performance Plan will diminish as agencies modify their present set of budget accounts or the list of P&F schedule program activities within an account. Where possible, USDA may change its current budget account structure to produce a more thematic presentation of both budget and performance information, thereby enhancing the understanding of programs and measures of performance. (See OMB A-11 sections 25.3, 71.2, and 71.3 of Part 2 on alignment of budget accounts and establishment of new accounts.)

The restructured budget accounts should redefine the current set of program activities in the P&F schedules into a set of outputs (and possibly outcomes), allowing resources to be matched with these performance measures within the P&F schedule of the budget account.

For the FY 2004 budget, USDA may modify the program activity listings in the P&F schedules, substituting outputs and outcomes for the current listings, regardless of whether the second form of restructuring is being undertaken. Full costs (including accruing retirement pensions and retiree health benefits) should be included in the restructured accounts (see section on full costs). If legally impeded from including all components of full cost in a budget account, agencies should display these costs in an informational table.

Informational tables in the budget

OMB intends to selectively include informational tables in the FY 2004 Budget. The informational tables will include a set of outputs and outcomes that will be analogous to the program by activity listings that appear in a P&F schedule. The tables will display budget

Budget Performance Integration

amounts for three years for these program outputs and outcomes. As these are informational tables, the budget amounts shown should include estimates of full costs.

Informational tables in the FY 2004 budget may be cross-account or, potentially, cross Department. The FY 2004 informational tables will cover those programs included in the assessments of program effectiveness being done in 2002. The strategic goals and objectives in the strategic plans will be used to organize these tables in the budget. Thus, USDA is to submit a draft of the updated and revised Strategic Plan to OMB by March 1, 2003, to assist in the early development of these tables.

Generally, the budget resources in an informational table will be aligned with outputs, with the outputs summing to an outcome. In certain circumstances, such an alignment may be impractical. For example, estimate the cost of achieving a certain output, such as a measure of customer satisfaction. Or a program may have a large number of outputs, and to simplify the presentation, some outputs are omitted from the table. In these instances, the budgetary amount shown for the outcome may be greater than the sum of the costs shown for the outputs. Future guidance will address whether more than one year of performance will be displayed in these tables. USDA's Performance Plan may contain outcome and output measures that are not included in an informational table.

Full Cost

From a budgetary standpoint, "full cost" is the sum of all budget resources used by an agency to achieve program outputs. This includes such traditional elements of cost as salaries and expenses, procurement of goods and services, grants, transfers, subsidies, benefit payments, etc.

If the full cost of an output or outcome cannot be precisely calculated, USDA should prepare its best estimate or approximation of the full cost.

Agencies unable to calculate full costs for all outputs may identify the full costs of an outcome and the full costs of selected outputs for that outcome. For example, a table or account may have an output that could not be costed, or the set of outputs associated with an outcome is so long that for brevity, some may be omitted. In such displays, the sum of full costs for the included outputs may not sum to the full cost shown for the outcome.

Budget Performance Integration

Including full cost in restructured budget accounts and informational tables in the President's Budget

As in the FY 2003 Budget, the full employer share of the accruing cost of retiree pension and health benefits should be included in all accounts paying salaries. In addition, full cost (to the extent indicated below) should be calculated and cumulated for outputs for the following submissions and documents:

- **FY 2004 budget requests and initial performance plans for all programs covered in the assessments of program effectiveness being done during the Fall, 2002.** Full cost includes the full employer share of the accruing cost of retiree pension and health benefits, and the costs of all support services and goods used and provided for centrally.
- **Informational tables in the FY 2004 Budget for all programs covered in the program effectiveness assessments.** Full cost includes retiree pension and health benefits, and all support services and goods used and provided for centrally.
- **Restructured budget accounts (the second form) in the FY 2004 Budget.** Full cost includes retiree pension and health benefits, and all support services and goods used and now provided for centrally.
- **Informational tables in the FY 2004 Budget for those budget accounts where outputs and outcomes were substituted for the current program activity listings in the Program and Financing schedules in the Budget (the first form).** Full cost includes retiree pension and health benefits, and all support services and goods used and now provided for centrally.
- **FY 2005 budget requests and initial performance plan for all programs, including those covered in the assessments of program effectiveness being done during CY 2003.** Full cost includes retiree pension and health benefits, and all support services and goods used and provided for centrally. Full cost may include all additional cost elements described in “Full Cost” above, including the accruing cost of hazardous waste cleanup, and annual capital usage charges.
- **Informational tables in the FY 2005 Budget for all programs, including those covered by assessments of programs effectiveness, budget account restructuring, and substitution of outputs and outcomes for current program activity listings in the Program and Financing schedules.** Full cost includes retiree pension and health benefits, and all support services and goods used and provided for centrally. Full cost may include all additional cost elements described in “Full Cost” above, including the accruing cost of hazardous waste cleanup, and annual capital usage charges.

Reflecting performance occurring in future years or funded by prior year monies

The annual performance plan should cover all performance related to the resources available or expended during the fiscal year. This includes fiscal year performance funded by prior year monies, and future year performance that would be funded by USDA’s budget request for the fiscal year.

Budget Performance Integration

OMB Examples of Possible Schedules and Information Tables for FY 2005 Budget Linking Budget and Performance

Schedule A:

Example of a Program and Financing Schedule in the FY 2003 Budget. (The Resource Management Account in the Fish and Wildlife Service, Dept. of the Interior.)

Account 14-1611-0-1-302	FY 2001	FY 2002	FY 2003
Resource Management FWS	\$954M	\$997M	\$1,049M
Ecological services (program activity)	212	230	225
National Wildlife Refuge System (p. a.)	336	348	392
Migratory Birds (program activity)	26	31	31
Law Enforcement (program activity)	51	53	55
Fisheries (program activity)	93	103	100
General Administration (program activity)	128	128	142

Schedule B:

Illustrative Program and Financing Schedule for FY 2005 Budget. This account is for an outcome goal for a single departmental bureau with output goals forming the program activity list. This is an example of a restructured account.

Account 123456M	FY 2003	FY 2004	FY 2005
Recover 10 Endangered Species F'S (outcome)	\$55M	\$60M	\$60M
Restore x acres of habitat (output)	30	30	30
Acquire y acres of land (output)	0	5	5
Release z hatchery fledglings (output)	15	10	10
Complete v population studies (output)	5	15	10
Prosecute r cases of illegal trafficking (output)	5	5	5

Budget Performance Integration

Table C (an informational table)

Illustrative informational table for the FY 2005 Budget. This table features a common outcome goal for two departmental bureaus with selected output goals also included in the program activity listing. Budget accounts are not restructured.

Accounts 123456J and 123456W	FY 2003	FY 2004	FY 2005
Recover endangered species (outcome)	\$85M	\$95M	\$95M
Recover 10 species F'S (outcome)	55	60	60
Restore x acres of habitat (output)	(30)	(30)	(30)
Release z hatchery fledglings (output)	(15)	(10)	(10)
Recover 6 species NPS (outcome)	30	35	35
Acquire y acres of land (output)	(7)	(10)	(11)
Transplant 4 species (output)	(2)	(4)	(4)
Establish Farside Sanctuary (output)	(8)	(5)	(1)

Table D (information table)

Illustrative information table for FY 2005 Budget. This table displays outcome and related output goals goal with discretionary and mandatory funding and offsetting collections in the same agency. This table also includes a program effectiveness rating. Budget accounts are not restructured.

Accounts 123456 L and 123456V	FY 2003	FY 2004	FY 2005
Create 125,000 small business jobs (outcome)	\$990M	\$920M	\$965M
Award x business development loans (output) <i>Discretionary appropriation</i>	675	630	690
Recapitalize 4 percent of existing loan business loan <i>Mandatory appropriation</i>	115	80	55
Process y percent of loan applications in 90 days (output) <i>Discretionary appropriation</i>	30	25	25
<i>Offsetting collection</i>	105	115	120
Provide business skills training for 3000 small business owners (output) <i>Discretionary appropriation</i>	65	70	75
Program Effectiveness Rating: Moderately effective.			

Budget Performance Integration

Table and Schedule E

A combination of an illustrative table paired with a restructured budget account for the FY 2005 Budget. The table is an informational table, displaying resources by agency for several agencies (both intra-agency and inter-agency) for an outcome-in-common goal. Budget accounts are not restructured for this table. The second display is a Program and Financing Schedule, example B above, and with effectiveness rating(s) now included. The budget account was restructured for this schedule.

[No account]	FY 2003	FY 2004	FY 2005
Recover 21 endangered species in 2005	\$140M	\$155M	\$165M
Recover 10 species F'S (outcome)	55	60	60
Recover 6 species NPS (outcome)	30	35	35
Recover 2 species BLM (outcome) [different budget subfunction]	10	10	15
Recover 3 species BuRec (outcome) [different appropriation act]	5	15	15
Recover 5 species NOAA (outcome) [different department]	40	35	40

Account 123456M	FY 2003	FY 2004	FY 2005
Recover 10 Endangered Species FWS (outcome)	\$55M	\$60M	\$60M
Restore x acres of habitat (output)	30	30	30
Acquire y acres of land (output)	0	5	5
Release z hatchery fledglings (output)	15	10	10
Complete v population studies (output)	5	15	10
Prosecute r cases of illegal trafficking (output)	5	5	5
Program effectiveness rating for this account. Habitat restoration: not rated Land acquisition: effective All other output goals: moderately effective			

OMB's Getting to "Green": The President's Management Agenda Initiative on Integrating Budget and Performance

APPENDIX C - OMB'S GETTING TO "GREEN": INTEGRATING BUDGET AND PERFORMANCE

One of the major government-wide initiatives of the President's Management Agenda is Budget and Performance integration. For each initiative, OMB prepares a scorecard consisting of "green, yellow, and red lights" reflecting agency status and progress in meeting the standards for success for an individual initiative. In shorthand terms, the standards for success are collectively known as "Getting to Green."

Without measurable, outcome oriented goals supported by data driven indicators, it will be impossible to achieve complete integration of the budgeting and performance processes. Further, these goals must be consistent with the objective of the authorizing statutes and Administration policy agenda.

To achieve a green rating, an agency would have to achieve each of the following.

- A Collaboration:** Integrated planning/evaluation and budget staff work with program managers to create an integrated plan/budget and to monitor and evaluate its implementation.

To facilitate coordination, a department should develop joint practices, communications processes, and sharing of common data between planning/evaluation staff, budget staff, and program managers. It is particularly important that program managers have access to the same data as budget and planning/evaluation staff.

Achieving organization integration can be accomplished through training courses, rotating staff, and other means. USDA should consult with OMB to develop a strategy to improve collaboration on a department-wide level and should reach an understanding with OMB on what level of achievement constitutes success for this indicator.

Concrete Indicators for Collaboration:

- 1 The Department is implementing an organizational plan for communication and integration of processes across key staff components. The plan should address a long-term strategy for organizing staff to support integration, and how the Department is achieving integration in terms of processes and communication. Implementation of this plan is assigned to a senior policy executive, such as the Chief Operating Officer or the Chief Financial Officer, and success of implementation is documented.
- 2 The Department conducts an annual planning meeting before developing the budget request to ensure that past results and future performance goals influence budget formulation decisions. During this planning session: (1) the overall goals of the Department are reiterated and outcome and output targets are discussed for each budget

OMB's Getting to "Green": The President's Management Agenda Initiative on Integrating Budget and Performance

year; (2) the Department identifies the program actions (including fiscal year milestones) to achieve goals; and, (3) the funding necessary to achieve the short-term goals and make progress toward achieving the longer-term goals is determined. Documentation of the impact of this planning meeting on departmental resource allocations and performance related actions is prepared, e.g., there is a list of resource allocation actions taken based on performance information.

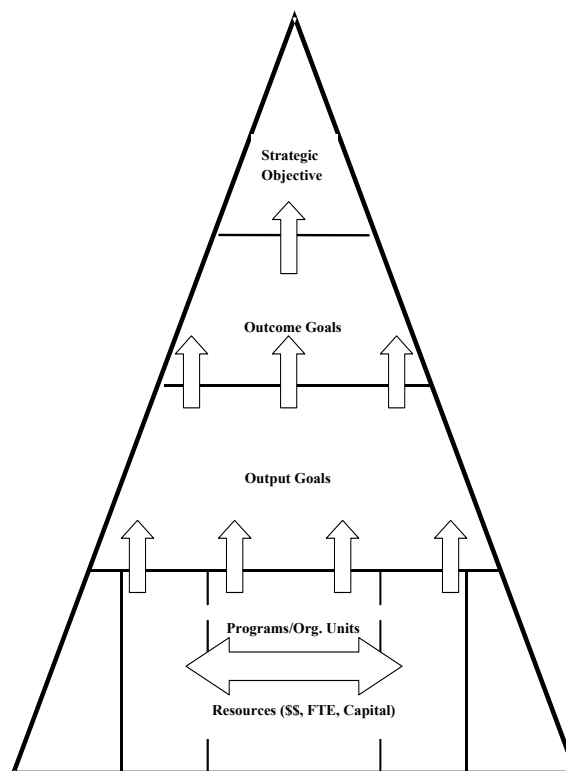
- B Goals, objectives, and targets:** Streamlined, clear, integrated agency plan/budget sets forth outcome goals, output targets, and resources requested in the context of past results.

A performance-based budget must be built on a strategic plan that identifies broad strategic goals, objectives, and actionable strategies.

Outcome goal(s) should be linked to output target(s) and helps determine success in carrying out the mission and achieving the objectives. An output goal should measure what the program directly produces. Resources and organizational effort should be linked directly to outputs, and the resources and outputs being summed to outcomes.

Evaluations can also examine how organizational efforts and management actions contributed to outcome and output achievement. GPRA documents use evaluations as a key element in a department's performance measurement system.

The pyramid illustrates the relationship between strategic, outcome, and output goals. Each strategic goal has at least one related outcome goal which has at least one (and usually many) related output goals, for instance one of the Department of Transportation's strategic goals is safety, its outcome goal is to reduce commercial aviation accidents by 80 percent by 2007 and output goal is to complete implementation of technology to avoid runway incursions.



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With a solid performance structure in place, a department can begin work on integrating this performance structure into its budget, tying resources requested to output targets and tying output targets to outcome goals.

Concrete Indicators for Objectives, Goals, and Targets:

- 1 The Department has documented that the outcome goals are acceptable to the Secretary, OMB, and Congress.
- 2 The Department has collaborated with OMB to identify measures that permit comparison of departmental performance with similar measures (Federal and non-Federal) as part of the Department budget request.
- 3 A regular CFO Report is produced (monthly, if possible, or quarterly, at least) that tracks progress toward performance goals during program implementation and budget execution and links each outcome goal with output goals. (See the box above and the attached example of FAA CFO Report). This report should be discussed regularly with top management of the Department (see discussion below under E).
- 4 The Department document the utilization of individual performance agreements with program managers to hold them accountable for achieving agreed upon performance goals.

C Alignment: Budget accounts, staff, and specifically program/activities are aligned to support achieving program targets.

To achieve a green, a department budget must reflect the connection between the Department's overall goals and the specific budget request. In addition, the budget request needs to specify what will be gained from funding a program or project specifically in terms of output measures.

Although there are several ways to achieve a connection between overall goals and specific budget requests, the following indicators satisfies the requirements for alignment.

Concrete Indicators for Alignment:

- 1 The Department has identified major outcome goals and has also identified and determined which program areas contribute to each goal. (There may be areas that contribute to more than one outcome goal.)
- 2 The Department has identified how much cost is attributed to each of the output goals associated with the outcome goals identified in 1. In cases where a major program area contributes to more than one outcome goal, the Department has established ground rules for attributing costs to the output goals associated with a particular outcome goal.

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Documentation should identify not only the total costs attributable to each goal but also the marginal costs attributable to increments of performance. (If the Department does not have sufficient data, a survey could be done on how much time and costs are split between different goals. If no survey data is available, then an approximation can be used with the expressed commitment to develop this information in the future.)

- 3 The Department has aligned specific outcome goals with its objectives. With costs being identified for output goals, and summed for all output goals associated with an outcome goal, this alignment will allow the budget to identify total resources for an objective.
- 4 The Department's budget request displays the linkage and association between outputs, outcomes, and objectives, and the budget resources for these strategic goals and objectives. The request identifies the output and outcome performance levels that would result from spending the resources requested.

- D Full cost:** Full budgetary cost is charged to mission accounts and activities. Costs of outputs and programs are integrated with performance in budget requests and execution.

This area focuses on capturing full budgetary cost and matching these costs with output and outcome goals. The Department should have financial and budgetary systems that allow it to track the full costs of a program and the output and outcome goals for that program.

The Departments should develop a process that calculates full costs and allocates these costs to program outputs and outcomes. The Department should first determine whether this allocation process could be done using its current accounting systems. New accounting systems may need to be put in place to do this calculation and allocation. Where the Department's calculation and allocation capacity is limited, interim steps can be taken to determine the full costs of an output goal. As an example, the Department could develop a procedure for splitting overhead and capital costs between outputs.

In the absence of a restructured set of budget accounts, the Department should work closely with OMB on developing informational displays that would appear in budget requests, and which will present the full costs of outputs, with these costs being summed for associated outcomes and objectives.

Concrete Indicators for Full Cost:

- 1 The Department has a consistent, transparent set of documented program cost and performance outcome attribution procedures that can be used to allocate or attribute costs fully throughout a performance structure. The Department is able to attribute costs in budget formulation, execution and reporting
- 2 The Department can readily document alignment of cost centers in the Department's financial accounting system to programs or performance centers. Align or re-describe

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program activities (in the Program and Financing Schedule) within each appropriation account in performance terms instead of activity or functional terms.

- 3 The Department has a plan to address material weaknesses that GAO, OMB and/or OIG have identified, with the understanding that some weaknesses will take longer to resolve than others.

Full Budgetary Costing: Example from FAA

The Federal Aviation Administration (FAA) made structural changes to two of its budget accounts: Facilities & Equipment and Research, Engineering & Development. Specifically, FAA changed its Program and Financing Schedule from a program basis to performance goal basis showing the requested allocation for each performance goal. To accomplish this, FAA grouped each investment project under a broad performance goal and a more specific performance indicator. This structure will allow FAA to determine the effectiveness of its investments in achieving performance goals, both in the budget-year and in the long run.

- E Validation:** Agency has documented program effectiveness. Analyses show how program outputs and policies affect desired outcomes. Agency systematically applies performance to budget and can demonstrate how program results inform budget decisions.

The area covers departmental documentation of program effectiveness, and use of this data to inform budget decisions. Documenting program effectiveness includes more than capturing data on performance measures. Other studies, including benefit-cost studies, evidence-based logic models, and benchmarking studies (inter-agency or intra-agency comparisons of program with similar goals) should be used to supplement performance data for determinations of program effectiveness. Individual and organizational accountability, formally documented, can be a key driver in changing program performance. It is important that performance data be captured during program implementation and be monitored throughout the course of budget execution by departmental leadership and by program managers.

The Department should also document how data on program effectiveness informs its planning and budget decisions. For example, if a department identifies an under-performing program, efforts should be made to improve the effectiveness of the program, or potentially shift program resources to other programs where these will be used more effectively and efficiently.

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Concrete Indicators for Validation:

- 1 The Department conducts regular meetings to discuss the monthly CFO report (described under B. above) and any related program/management reviews. These meetings are at a high-level and discuss program effectiveness and success in meeting output and outcome goals. Also, these meetings identify opportunities to identify strategies for improving program efficiency.
- 2 The Department has a strategy to improve its methods of capturing program effectiveness. This includes improving the quality of departmental performance plans and reports or undertaking complementary analyses, including program evaluations, benefit-cost studies, evidence-based logic models, and benchmarking studies.
- 3 The Department has established, in collaboration with OMB, a process for reviewing the effectiveness of specific program using standard methodologies.

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OMB Definitions of Key Terms and Concepts

Full budgetary cost:

The annual cost, on a budgetary basis of measurement, of all resources used by an agency, its components (e.g., executive direction, any program, or any support provider), or its outputs. Full budgetary cost includes salaries and expenses, the full accruing cost of the employer share of retiree benefits, the accruing cost of hazardous substance cleanup, annual capital usage charges and rent, and the cost of all support goods and services used, as well as grants, transfers, credit subsidies, and other program benefit payments. Although the basis of measurement is budgetary, the coverage of resources included should be no less comprehensive than full cost under Federal cost accounting standards.

Costs of increments of change in performance levels:

The differential full costs of various levels of performance, including effectiveness, from year to year. (Higher levels of performance effectiveness can result from working smarter within the same constant-dollar program cost; or, by finding what works best and providing additional resources to expand the scale of the program.)

Unit cost or Cost of outputs:

The full cost of each increment or segment of programmatic output. An example might be the full budgetary cost of providing a benefit check to an eligible recipient.

Programs or Program Activities:

The list of agency programs and activities appearing in the Program and Financing schedules of the Budget Appendix.

Outcome and output goals:

The performance goals (with quantified or measurable target levels) found in the Department's performance plans. Department strategic plans contain general goals and objectives, which provide the overall framework for annual goals in performance plans. Additional goals may be found in agency-level performance or budget documents.